

Increasing Tobacco Taxes Results in Lower Health Care Costs

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Tobacco's impact on Indiana

- Indiana has the 5th highest adult smoking rate (24.1%) in the United States. The national median average is 20.1%.
- Twenty-one percent (21.3%) of high school students smoke.
- In Indiana 18% of women smoke during pregnancy. The national average is 10.2%.
- Close to 16,500 babies are born in Indiana each year to a mother who has smoked during pregnancy. The tobacco-related health care costs for these babies are \$28 million each year.
- Hoosiers spend over \$2 billion each year in tobacco-related health care costs.
- Of the billions spent on tobacco-related health care annually, an estimated \$487 million are due to Medicaid costs.
- More than 9,700 Hoosiers die each year from tobacco-related illnesses.

Impact of higher tobacco taxes

- Indiana's tobacco tax is 99.5 cents, ranking 24th in the United States. The average state tobacco tax is \$1.04, with taxes ranging from \$2.58 to 7.0 cents.
- Numerous United States Surgeon General reports have concluded that an optimal level of excise taxation on tobacco products will reduce smoking rates, tobacco consumption and the long-term health consequences of tobacco use.
- Raising state cigarette taxes always reduces smoking rates and always increases state revenue.
- Economic research studies report that every 10% increase in the real price of cigarettes reduces adult smoking by about 4% and teen smoking by roughly 7%.

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Impact of higher taxes on youth smoking

- There is strong evidence that youth are more responsive to price increases than adults.
- Youth are up to three times more sensitive to price than adults, while younger adults (18-24) are about twice as sensitive to price than older adults.
- Recent studies conclude that the greatest impact of price increases is in preventing the transition from youth experimental smoking to regular (daily) smoking.
- Considering 90% of smokers start as teenagers, a group highly sensitive to price, higher taxes can sharply reduce youth smoking. A reduction in youth smoking will influence a long-term decrease in adult smoking.

Projected benefits from increasing Indiana's cigarette tax by 44 cents to 99.5 cents:

- Fewer Hoosiers smoking: 23,400 adults and 39,700 youth
- Thousands of Hoosier youth saved from an early death by not smoking – 12,700 youth
- Produce healthier babies with 7,100 fewer smoking affected births over 5 years, as fewer women will smoke during pregnancy
- Save \$ 917 million from long term health savings and increase in state revenue of \$191 million

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Sources: 2006 Behavior Risk Factor Surveillance Survey; 2004 Indiana Youth Tobacco Survey; Centers for Disease Control and Prevention. Sustaining States for Tobacco Control- Data Highlights-2006; 2004 Indiana Birth Certificate data; Campaign for Tobacco Free Kids <http://www.tobaccofreekids.org/research/factsheets/pdf/0148.pdf> ; Chaloupka F. and Pacula R. "An examination of gender and race differences in youth smoking responsiveness to price and tobacco control policies," National Bureau of Economic Research, 1998; Tauras et al, " Effects of Price and Access Laws on Teenage Smoking Initiation: A National Longitudinal Analysis